EXHIBIT 1

INTRODUCTION

From February 20 through July 14, 2001, Respondent Elaine Griffin was an energy consultant to the California Department of Water Resources ("DWR"), in the California Energy Resources Scheduling division (the "CERS" division). As a consultant for DWR, Respondent was prohibited by section 87100 of the Government Code from making, participating in making, or using her official position to influence any governmental decision in which she had a financial interest. In this matter, Respondent impermissibly made two governmental decisions in which she had a financial interest.

For the purposes of this stipulation, Respondent's violations of the Political Reform Act (the "Act")[1] are stated as follows:

COUNT 1: On or about April 3, 2001, as a consultant to the California Department of Water Resources, Respondent Elaine Griffin made a governmental decision in which she had a financial interest, by purchasing for the State of California approximately 6,800 megawatts of off-peak energy from Calpine Corporation, a company in which she had an investment interest worth $2,000 or more, in violation of section 87100 of the Government Code.

COUNT 2: On or about July 3, 2001, as a consultant to the California Department of Water Resources, Respondent Elaine Griffin made a governmental decision in which she had a financial interest, by purchasing for the State of California approximately 5,600 megawatts of peak energy from Calpine Corporation, a company in which she had an investment interest worth $2,000 or more, in violation of section 87100 of the Government Code.

SUMMARY OF THE LAW

One of the findings upon which the Act is based is that public officials, whether elected or appointed, should perform their duties in an impartial manner, free from bias caused by their own financial interests, or the financial interests of persons who have supported them. (Section 81001, subd. (b).) Therefore, one of the stated purposes of the Act is that the assets and income of public officials, which may be materially affected by their official actions, be disclosed, and in appropriate circumstances, that the officials disqualify themselves from acting, so that conflicts of interest may be avoided. (Section 81002, subd. (c).)

[1] The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

In order to prevent conflicts of interest, section 87100 prohibits state and local public officials from making, participating in making, or using their official position to influence a governmental decision in which they know, or have reason to know, that they have a financial interest. Section 82048 defines a "public official" to include every member, officer, employee, or consultant of a state or local governmental agency. Regulation 18701, subdivision (a)(2)(B) defines a "consultant" as an individual who, pursuant to a contract with a state or local government agency, makes a governmental decision whether to authorize the agency to enter into, modify, or renew a contract provided it is the type of contract that requires agency approval.

Under section 87103, subdivision (a), a public official has a financial interest in a decision, within the meaning of section 87100, if it is reasonably foreseeable that the decision will have a material financial effect on a business entity in which the official has a direct or indirect investment worth $2,000 or more.

Whether the reasonably foreseeable financial effect of a governmental decision is material depends upon the nature of the interest, whether the effect is direct or indirect, and if direct, the degree to which the economic interest is involved in the decision. Under regulation 18704.1 subdivision (a), a business entity is directly involved in a governmental decision when that entity initiates the decision, or is a named party in, or the subject of the decision.

Under regulation 18705.1, subdivision (b), if a business entity is directly involved in a governmental decision, the reasonably foreseeable financial effect of the decision on the business entity is presumed to be material, unless the public official's only economic interest in the business entity is an investment interest, and the investment is worth $25,000 or less. If the official's investment interest in a business entity is worth $25,000 or less, and the business entity is listed on the New York Stock Exchange, regulation 18705.1, subdivision (c)(2) provides that the reasonably foreseeable financial effect of a governmental decision is material if the decision will result in an increase or decrease to the business entity's gross revenues for a fiscal year in the amount of $500,000 or more.

The financial effect of a governmental decision is considered "reasonably foreseeable" if there is a substantially likelihood, and not just a mere possibility, that the effect will occur. (*In re Thorner* (1975) 1 FPPC Ops. 198.)

SUMMARY OF THE FACTS

Respondent Was a Public Official as Defined by the Act

On or about February 19, 2001, Respondent signed a six-month $114,000 personal services contract with DWR to provide consulting services. According to the terms of the contract, Respondent was required to purchase energy for the State of California from electrical energy suppliers. By having a contractual obligation to enter into a contract for the purchase of energy on behalf of DWR and the State of California, Respondent qualified as a consultant under regulation 18701. As a consultant,

Respondent was a public official as defined in section 82048, and was therefore subject to the prohibition against conflicts of interests.

Respondent Made Two Governmental Decisions

At DWR, Respondent worked as an energy trader on the day-ahead market. Day-ahead traders were consultants who bought power on a short term basis (for terms ranging from days to months) to supplement the power needed by the state that was not provided by the native generation of private utilities, long term contracts, or other arrangements. On the day-ahead market, energy suppliers contacted day-ahead traders and then offered energy at a specified price. Day-ahead traders either accepted the energy at the price offered by the energy supplier or tried to negotiate a lower price. Respondent made approximately 10 to 15 discretionary trades of energy per day. Among the energy products sold on the day-ahead market was "test energy." Respondent was not a test energy trader. Occasionally, however, Respondent and other energy traders would take over for the consultant who had the primary obligation of handling the test energy transactions when that individual was away from his or her desk.

Decision 1 – On or about April 3, 2001, Respondent spoke with a representative from the Calpine Corporation ("Calpine") and entered into a contract for the purchase of energy with Calpine on behalf of the State of California. According to the terms of the contract, Calpine agreed to supply 25 megawatts of off-peak energy per hour for 26 days beginning on April 5 and ending on April 30, 2001, for a total of 6,800 megawatts, at a price of $210 per megawatt.

Decision 2 – On or about July 3, 2001, Respondent received a telephone call from a Calpine representative. During the conversation, the Calpine representative asked Respondent whether DWR was looking for test energy to be supplied on July 5, 2001. Respondent affirmed that DWR was interested in purchasing energy for that date, and asked the Calpine representative how much energy Calpine had available. The Calpine representative indicated that Calpine could provide 350 megawatts of energy per hour, for a total of 5,600 megawatts, on July 5, 2001. Respondent asked the Calpine representative at what price Calpine was selling the energy. The Calpine representative stated that Calpine could supply the energy at $91 per megawatt. Respondent accepted the offer.

By entering into two contracts for the purchase of energy on behalf of DWR for the State of California, Respondent made two governmental decisions, as defined in regulation 18702.1.

Respondent Had an Economic Interest in Calpine Corporation

During the time that she held a consultant position at DWR, Respondent had an investment interest in Calpine through the ownership of stock worth $14,000. Respondent first acquired an interest in Calpine on February 1, 2001 when Respondent's stockbroker at his discretion added Calpine stock to Respondent's IRA portfolio without

first conferring with her. By owning stock in Calpine worth $2000 or more, Respondent had an economic interest in Calpine for the purposes of section 87103, subdivision (a).

Respondent's Economic Interest Was Directly Involved in the Decision

Decision 1 – As a named party in the April 3, 2001 decision by Respondent on behalf of DWR to enter into a contract with Calpine for the purchase of energy, Calpine was "directly" involved in that decision. (Regulation 18704.1.)

Decision 2 – As a named party in the July 3, 2001 decision made by Respondent on behalf of DWR to enter into a contract for the purchase of energy, Calpine was "directly" involved in that decision. (Regulation 18704.1.)

Applicable Materiality Standard

Although Calpine was directly involved in the two governmental decisions made by Respondent to enter into a contract for the purchase of energy from Calpine, Respondent's investment interest in Calpine was worth less than $25,000, and at the time of the two decisions, Calpine was listed on the New York Stock Exchange. Therefore, under the $25,000 investment exception in regulation 18705.1, subdivision (b)(2), the applicable materiality standard is the "indirect" materiality standard in Regulation 18705.2, subdivision (c)(2) for business entities that are publicly traded on the New York Stock Exchange. Under that standard, a reasonably foreseeable effect of $500,000 on the annual gross revenues of a business entity listed on the New York Stock Exchange is considered to be material, and may therefore constitute the basis for a conflict of interest.

It Was Reasonably Foreseeable That the Applicable Materiality Standard Would Be Met

Decision 1 – Under the terms of the April 3, 2001 energy contract between Calpine and DWR, Calpine agreed to supply 25 megawatts of off-peak energy per hour (200-600 megawatts of energy per day for a total of 6,800 megawatts) for 26 days, at a price of $210 per megawatt, for a total price of approximately $1.4 million. Thus, it was reasonably foreseeable that Respondent's decision to accept Calpine's offer on behalf of DWR would have at least a $500,000 effect on Calpine's annual gross revenues for the year 2001.

Decision 2 – Under the terms of the July 3, 2001 energy contract between Calpine and DWR, Calpine agreed to supply 350 megawatts of peak energy per hour for one day, for a total of 5,600 megawatts, at a price of $91 per megawatt, for a total price of approximately $509,000. Thus, it was reasonably foreseeable that Respondent's decision to accept Calpine's offer on behalf of DWR would have at a $500,000 effect on Calpine's annual gross revenues for the year 2001.

As it was reasonably foreseeable that each of the two decisions made by Respondent to purchase energy from Calpine would have at least a $500,000 material financial effect on the annual gross revenues of Calpine, Respondent was prohibited from

making those two decisions. By purchasing energy from Calpine on behalf of DWR on two separate occasions, Respondent made two governmental decisions in which she had a financial interest, in violation of section 87100.

CONCLUSION

This matter consists of two counts of violating section 87100, and carries a maximum administrative penalty of Five Thousand Dollars ($5,000) per violation, for a total of Ten Thousand Dollars ($10,000).

The conduct of participating in a governmental decision in which an official has a financial interest is one of the more serious violations of the Act and usually calls for the imposition of a penalty at or near the maximum penalty. In this matter, Respondent made a governmental decision that resulted in the State of California paying over $1 million in public funds to a private corporation in which she held an investment interest.

However, prior to becoming an energy consultant for DWR, Respondent had never held a governmental position and was never advised by DWR that her interest in an energy company might create a conflict of interest. In addition, according to Respondent, at the time she purchased energy from Calpine on behalf of DWR, she was unaware that her stockbroker had added Calpine stock to her portfolio. As Respondent did not have actual knowledge of the law or of her economic interest in Calpine at the time of the violations, imposition of a lesser penalty of $2,500 per violation is appropriate.

Accordingly, the facts of this case justify the imposition of a total administrative penalty of Five Thousand Dollars ($5,000).